

H A C H R O N

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

~~SECRET~~

February 8, 1972

MEMORANDUM FOR

CHAIRMAN, NSC UNDER SECRETARIES COMMITTEE

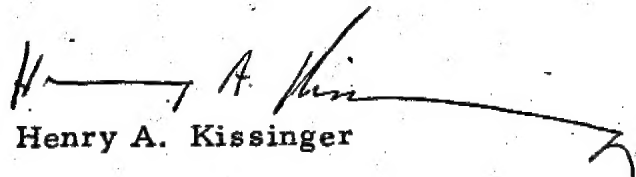
SUBJECT: Export of Integrated Circuit Technology to Eastern Europe

At the Bermuda meeting, the British asked that we re-examine our objections to their proposed export to Poland of about \$7 million dollars worth of integrated circuit manufacturing machinery. They indicated that this was a matter of political interest at the highest level in London. Apparently the French are also in process of seeking our approval for a similar project.

In addition, there is a case involving rejection of the proposed export by a US firm to Romania of equipment for testing integrated circuits and other components of a digital computer to be fabricated in Romania.

The President has requested a status report on these and any other similar cases. The report should include a discussion of technical, economic, security and political factors bearing on the Government's position together with such differing agency views as may exist.

The report should be forwarded to the White House as soon as possible, but no later than February 28, 1972..


Henry A. Kissinger

ON FILE COMMERCE Dept. RELEASE
INSTRUCTIONS APPLY

NSS, DOS Reviews Completed.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

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URGENT
ACTION

January 31, 1972

~~THAT HAIG~~ (Date to be changed)
MEMORANDUM FOR MR. KISSINGER

FROM: Helmut Sonnenfeldt *HS*

SUBJECT: Integrated Circuit Exports to Eastern Europe
(Log 872)

Pursuant to my conversation with General Haig, attached (Tab A) is a directive to the USC requesting a report on the export cases in which the US is withholding approval. This will constitute the "review" which the British and Romanians have requested (and the French almost certainly will) and will enable the President either to confirm or modify the Government's position in this matter.

RECOMMENDATION

That you promptly sign the attached Directive to the USC.

Concurrence: Colonel Kennedy

Extend deadline to Feb 28.

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ACTION 00872
January 25, 1972

MEMORANDUM FOR MR. KISSINGER

FROM: Helmut Sonnenfeldt

SUBJECT: COCOM Problems with the UK, France and
Romania

The British have called to inquire what you may have done in response to an approach they say was made to you in Bermuda concerning our rejection, in COCOM, of a proposed export deal with Poland involving integrated circuits. I had not heard of this before but find, on trying to get the facts, that State knew from the British of an approach to you.

What is involved is a \$7 million deal. It is actually the second part of the old French deal with Poland which gave us so much trouble and which we eventually accepted (still over Defense objections) by splitting off the transistor portion. Now both the British and French are bidding on the second, integrated circuit, portion. The British went to COCOM last fall and were turned down there because of our objection. The British had tried unsuccessfully to persuade us to change our position by sending over an expert group to explain their case that no danger of benefiting the Soviets existed. Now the French, who have not yet taken their proposal to COCOM but mentioned to Rogers at the Azores that they would, are sending a delegation here to try the same tack.

In the British case, the Prime Minister personally is interested because, it is claimed, the future of an important part of the British electronics industry hinges on this Polish contract. The British say they have the contract locked up regardless of what the French may say. An additional factor is that the companies that would be hurt and might have to close plants are located in Lancashire, a county of considerable political interest to the Tories. Finally, the British claim that the main reason for their electronics industry's urgent need of the Polish market is the competition in the UK market of US products. None of these points, of course, go to the issue the US makes: will the export be likely to give the Soviets

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technology they don't now have that is militarily useful? In addressing this question both the British and French claim that the Soviets already possess the technology in question. We disagree.

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Both the British and French suspect that the US judgment in these matters is not wholly based on strategic considerations but rather reflects a commercial desire to stifle potential European competitors.

I don't know the nature of the British approach to you or what you may have said to them in response. In any case, the problem we now have is that unless we either reject both the British and the French deal or accept them both we will in effect be tilting toward one or the other. (In fact, if it is true that the British have the deal locked up, the latter course, too, would be a nod toward the British.)

The situation is further complicated by a US case involving Romania. Bogdan has been instructed to intercede with you on this one and should shortly be asking for an appointment. What is involved is some computer testing equipment with integrated circuitry. State and Defense take the position that as long as the British case has been rejected (and, by extension, the French one will be), we cannot authorize a US export of the same type of technology, even to Romania which is less likely than Poland to leak it to Moscow.

Defense, But State less so, also takes the view that if we release the Polish deal -- whether Britain or France gets it -- we cannot then withhold licenses from American companies without thereby undermining the entire strategic embargo in a crucial area of technology with military application.

In sum, we probably need a general decision whether to relax the controls across the board or hold the line for every one. Confirmation of our negative policy at present would mainly hit the East Europeans and this will seem an ironic twist, especially respecting Romania, if we are shortly going to open the floodgates to trade with the USSR. On the other hand to relax the controls will encounter most determined opposition from Defense on security grounds. It would also have the perverse effect of almost certainly driving the French and British out of the East European market since our companies can out bid them.

I have no solution at this point other than the bureaucratic one of ordering a study (which by its nature will involve highly technical as well as subjective judgments). But I want to flag the fact that

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- (1) the British seem to think you owe them an answer;
- (2) Bogdan will ask you to reverse the decision in the Romanian case; and
- (3) Lucet will no doubt be coming around in due course with a message from Pompidou recalling your earlier services.

RECOMMENDATION

1. That you indicate what if anything should be said to the British.
2. That you indicate whether you want the general problem raised in the NSC system.

HS:hc

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